HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Saint John, Moncton CMAs and Fredericton CA

Canada Mortgage and Housing Corporation

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New Brunswick Economy Maintains Stability

The New Brunswick economy has traditionally relied heavily on natural resources for economic development. In recent months, the forestry sector in particular has faced difficult challenges in the form of softening demand for paper and other forest products. Furthermore, the Canadian dollar remains at the highest level seen in a generation. Consequently, unfavorable market conditions have taken their toll on the province's primary resource sector. Of all the mills producing lumber and paper products in New Brunswick a decade ago, only a fraction are fully operational today. The remaining mills are permanently or temporarily closed, or they are operating at reduced capacity. Although the bulk of these jobs and related forestry operations are located in the northern part of the province, the rest of New Brunswick has not been immune to the difficulties currently plaguing the forestry sector.

Figure 1

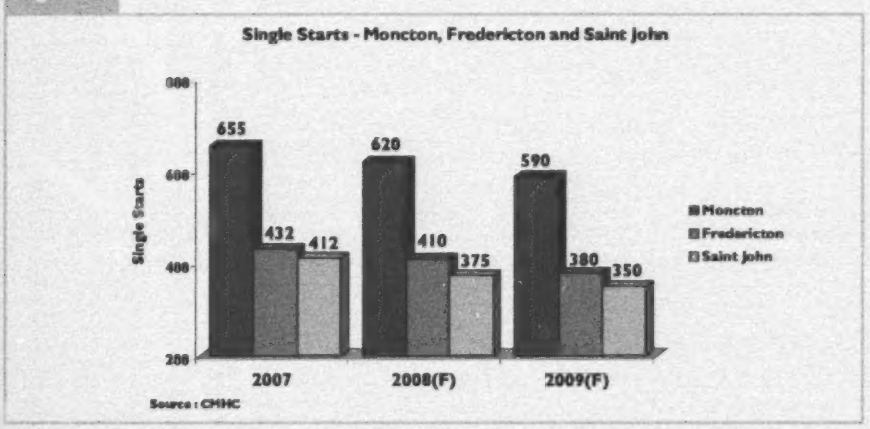

Table of contents

1 New Brunswick Economy Maintains Stability

2 Residential Construction to Remain Strong in Historical Terms

3 Resale Market Soft in the First Quarter

4 Vacancy Rates Rise in New Brunswick

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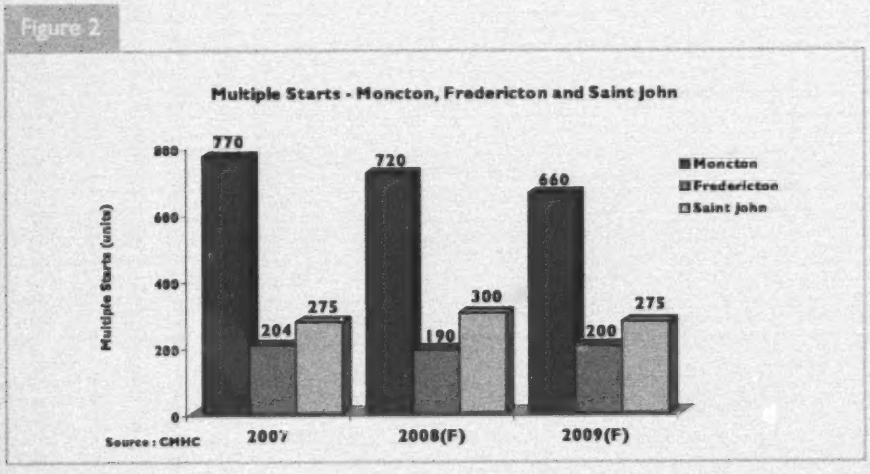
New Brunswick, like the rest of Canada, is likely to experience economic repercussions in 2008 if a prolonged economic slump takes hold in the United States, New Brunswick's largest trading partner. Reduced exports by local companies will create a drag on the provincial economy that could limit economic expansion. As such, capital spending will continue to be a critical component of the province's economic performance, with the highlight being the proposed new refinery in Saint John. Although still in the planning stages, a recently announced partnership moved the project one step closer to reality. The multi-billion dollar project, if approved, will help fuel the provincial economy in the coming years. Early discussions regarding a potential second nuclear reactor at Point Lepreau raise the possibility of additional large scale economic development in the area.

Although the housing market posted mixed results during the first quarter of 2008, it is expected to remain strong in historical terms throughout the year. Despite the likelihood of soft economic growth in 2008, net-migration continues to remain stable in both Moncton and Fredericton, as each centre benefits from solid service, retail and construction sectors. Net-migration in Saint John will likely remain muted this year as a formal announcement on the refinery project is not expected until 2009, minimizing any further positive impact on the housing market in 2008. Migration to Western Canada continues to present a challenge to the local housing industry in the form of a tight labour market, with impending shortages in certain trades.

Expect GDP growth in New Brunswick to remain near 2.0 per cent in 2008, followed by a moderate increase in 2009. Although the residential housing market will remain strong in historical terms, provincial housing starts are expected to decline over the forecast period. Total starts should decline to 3,925 units in 2008, with a further drop to 3,650 units in 2009.

Figure 2



Residential Construction to Remain Strong in Historical Terms

After the first three months of 2008, nearly twice as many housing starts were recorded in Saint John compared to the same period last year. Multiple starts were up almost 80 per cent while single starts more than doubled as economic activity surrounding the energy sector gained momentum. The proposed addition of a new oil refinery has yet to move past the planning stage and no formal announcement is expected until 2009. The construction of a second nuclear reactor at Point Lepreau has also been discussed. However, these projects will have a limited impact on the local housing market until they are confirmed and construction timelines are established. Meanwhile, current projects, such as the $1.4 billion refurbishment of the existing nuclear reactor at Point Lepreau, have fostered increased economic activity. As a result, housing demand over the forecast period is expected to remain strong in historical terms. For 2008, expect both single and multiple starts to recede from last year's total with 375 and 300 units, respectively. Expect a moderate decline in single starts to 350 units in 2009 while multiple starts drop slightly to 275 units.

In Greater Moncton, residential construction was soft early in the year as home builders were confronted with cold temperatures and frequent snowfalls. Consequently, single and multiple starts were down during the first three months of 2008. However,

economic development in the area remains stable and continues to fuel in-migration, in part due to strong employment. Although they will remain strong in historical terms, expect single starts to decline to 620 units this year, with a further drop to 590 in 2009.

Although apartment starts were down significantly in the first quarter, semi-detached starts maintained a steady pace. Last year, over 80 per cent of semi-detached starts recorded in New Brunswick were in Greater Moncton due to their rising popularity as the starter home of choice in the area. Expect a mild decline in semi-detached starts from last year's record setting total, combined with fewer apartment starts. Nevertheless, multiple starts will remain at historically high levels with 720 units in 2008, followed by a subsequent drop to 660 units in 2009.

After rebounding last year, single starts in the Fredericton CA have maintained a positive trend in the first quarter of 2008. The local economy, bolstered by strong service and retail sectors, continues to fuel migration and housing demand. As a result, expect single starts to remain strong with 410 starts anticipated in 2008, followed by a modest drop to 380 units in 2009. Multiple starts, which were down last year, were essentially unchanged during the first quarter of 2008. Following reduced activity in 2007, expect a moderate decrease in multiple starts to 190 units in 2008, followed by a small increase to 200 units in 2009.

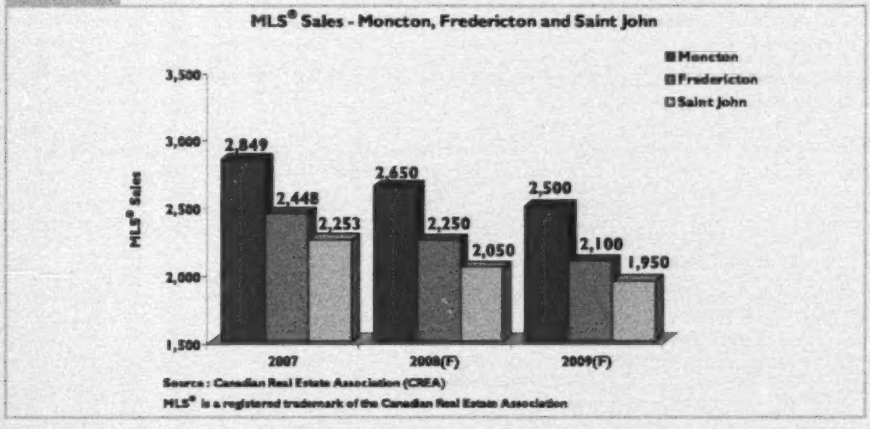
Resale Market Soft in the First Quarter

In the first quarter of 2008, existing home sales in Greater Moncton were down 8.5 per cent compared to the same period last year. Furthermore, the average number of days required to sell a home had increased to 102 days, up from 100 last year, as ample listings continued to provide an extended selection to potential home buyers. Despite fewer sales, the average price increased 5.9 per cent during the first quarter of 2008. With the possibility for mounting economic challenges throughout the year, prospective home buyers are expected to be increasingly conservative in 2008, as the record pace set last year in Greater Moncton is not sustainable longer term. As a result, expect sales to decline to 2,650 units in 2008, with a subsequent drop to 2,500 units in 2009. The average sale price is expected to maintain an upward trend, rising to $147,000 in 2008, followed by a further increase to $152,000 in 2009.

MLS® sales in Saint John experienced a year-over-year decline for the second consecutive quarter during the first three months of 2008, as sales dropped 12.9 per cent. Undoubtedly, the enthusiasm in the region surrounding large scale capital projects has generated interest in the local housing market. However, with no formal announcement on construction of the second refinery anticipated until 2009, any potential impact to the local resale market will be limited in 2008. Expect the resale market to remain strong in historical terms with 2,050 and 1,950 sales in 2008 and 2009, respectively. Furthermore, the average sale price is expected to rise to $145,000 in 2008, with a subsequent increase to $150,000 in 2009.

In the Fredericton area, an ample supply of new listings - combined with the widening gap between the price of new and existing homes - resulted in brisk sales and steady price growth last year. In the early part of the year, existing home sales did not match last year's pace, in part due to harsh weather conditions during the winter months of 2008.

Figure 3



As of the end of the first quarter, existing home sales were down approximately 23.9 per cent compared to the same period in 2007. Meanwhile, year-over-year price growth was the highest among New Brunswick's three major urban centres at 6.7 per cent. For 2008 and 2009, expect unit sales to reach 2,250 and 2,100 units respectively, with the average sale price climbing to $147,000 in 2008, and $151,500 in 2009.

Vacancy Rates Rise in New Brunswick

The rental market in the province's three major urban areas posted mixed results in 2007. In Saint John and Moncton, the vacancy rate declined by 1.6 and 1.3 percentage points, respectively. However, in Fredericton, the local vacancy rate went from 4.8 per cent in 2006 to 6.5 per cent last year, the highest vacancy rate among the province's three major urban areas.

With current and potential mega-projects in the area, the vacancy rate in Saint John is expected to decline to 4.8 per cent in 2008 and 4.5 per cent in 2009. In Fredericton, the vacancy rate, which increased significantly in 2008 due to excessive supply on the local market, should decrease to 6.0 per cent in 2008, followed by another moderate decline to 5.5 per cent in 2009. In historical terms, a relatively large number of apartment starts were recorded in Greater Moncton in the last two years. As a result, an increase in the vacancy rate is anticipated in 2008, up to 4.8 per cent from last year's 4.3 per cent. This will be followed by a subsequent increase to 5.0 per cent in 2009. In all three of the province's three major urban areas, expect the average rent increase for a two-bedroom unit to be between two and three percent in both 2008 and 2009.

Forecast Summary
Saint John CMA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	1,901	1,852	2,253	2,050	-9.0	1,950	-4.9
MLS® New Listings	3,225	3,357	3,391	3,350	-1.2	3,240	-3.3
MLS® Average Price ($)	119,718	128,202	140,544	145,000	3.2	150,000	3.4
New Home Market							
Starts:							
Single-Detached	403	363	412	375	-9.0	350	-6.7
Multiples	98	202	275	300	9.1	275	-8.3
Starts - Total	501	565	687	675	-1.7	625	-7.4
Average Price ($):							
Single-Detached	198,526	215,666	231,880	226,500	-2.3	234,500	3.5
Median Price ($):							
Single-Detached	180,000	190,404	225,000	196,100	-12.8	201,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	4.0	3.3	0.9	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	5.7	6.8	5.2	4.8	-0.4	4.5	-0.3
Two-bedroom Average Rent (October) ($)	526	556	570	590	-	610	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	61,900	61,900	66,000	62,300	-5.6	63,100	1.3
Employment Growth (%)	0.8	0.0	6.6	0.6	6.0	1.3	0.7
Unemployment rate (%)	7.1	6.1	4.9	6.0	-	5.8	-
Net Migration (N.B.) [1]	-1,922	-2,276	2,592	2,075	-19.9	1,400	-32.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

Forecast Summary Moncton CMA Spring 2008	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,341	2,561	2,849	2,650	-7.0	2,500	-5.7
MLS® New Listings	3,756	4,416	4,464	4,350	-2.6	4,200	-3.4
MLS® Average Price ($)	124,088	128,547	140,032	147,000	5.0	152,000	3.4
New Home Market							
Starts:							
Single-Detached	612	593	655	620	-5.3	590	-4.8
Multiples	579	823	770	720	-6.5	660	-8.3
Starts - Total	1,191	1,416	1,425	1,340	-6.0	1,250	-6.7
Average Price ($):							
Single-Detached	168,883	191,220	208,653	205,000	-1.8	215,000	4.9
Median Price ($):							
Single-Detached	159,900	179,900	199,900	185,300	-7.3	189,900	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	4.0	3.3	0.9	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	4.7	5.6	4.3	4.8	0.5	5.0	0.2
Two-bedroom Average Rent (October) ($)	612	636	643	660	-	675	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	69,025	69,050	69,450	69,500	0.1	70,250	1.1
Employment Growth (%)	1.5	0.0	0.6	0.7	-0.1	1.1	0.4
Unemployment rate (%)	6.3	6.3	4.8	6.2	-	6.0	-
Net Migration (N.B.) [1]	-1,922	-2,276	2,592	2,075	-19.9	1,400	-32.5

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Forecast Summary
Fredericton CA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,082	2,120	2,448	2,250	-8.1	2,100	-6.7
MLS® New Listings	4,038	4,577	4,547	4,350	-4.3	4,225	-2.9
MLS® Average Price ($)	130,502	138,094	141,117	147,000	4.2	151,500	3.1
New Home Market							
Starts:							
Single-Detached	402	387	432	410	-5.1	380	-7.3
Multiples	390	323	204	190	-6.9	200	5.3
Starts - Total	792	710	636	600	-5.7	580	-3.3
Average Price ($):							
Single-Detached	205,000	211,914	207,781	218,500	5.2	225,000	3.0
Median Price ($):							
Single-Detached	195,000	205,000	199,000	211,150	6.1	216,400	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	4.0	3.3	0.9	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	4.0	4.8	6.5	6.0	-0.5	5.5	-0.5
Two-bedroom Average Rent (October) ($)	675	693	701	725	-	740	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	46,425	46,675	49,850	46,900	-5.9	47,250	0.7
Employment Growth (%)	0.1	0.5	6.8	0.5	6.3	0.7	0.2
Unemployment rate (%)	6.9	6.2	4.8	6.1	-	6.0	-
Net Migration (N.B.) [1]	-1,922	-2,276	2,592	2,075	-19.9	1,400	-32.5

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